

WHAT TO DO WHEN THE TIMBER BUYER KNOCKS

Asked the value of something, I always answer with a question: “Am I buying or selling?” Of course, the object is always worth more if I am selling.

Think through your various deals buying and selling cars, houses, land, etc. You always wanted a little more money when you were selling, and you wanted to pay a little less when buying. In those situations you had access to information that gave you a ballpark idea of value.

Selling timber is different. Numerous factors go into valuing timber, and the seller may not have access to the same information as the buyer. You sell timber once every 10 to 15 years. Here are some guidelines to help you:

- 1) Selling timber should be part of an overall financial and forest management plan, not a spur-of-the-moment decision that starts with a knock on the door. When the knock comes, and the buyer says, “I would like to buy your trees,” your response should be, “Please leave me your business card. I will make sure you are notified when the time comes for a sale.”
- 2) Hire a professional forester. Because you will always be at a disadvantage in this transaction, have someone who is engaged in the industry represent you. A visit to www.findindianaforester.org will display a list of professional foresters. Interview several. Ask for references, a list of fees payment schedules and a list of services provided. Your district forester cannot recommend a forester. You are responsible. It is similar to hiring a lawyer, accountant or other professional. The professional forester will work with your district forester to implement your stewardship plan.
- 3) Learn the lingo. Every industry has terms and phrases that simplify communications for the people who know the lingo. Even if you hire a forester, the more lingo you know, the better your decisions will be. Here are some terms that are common to the forest industry:
 - a. Diameter limit cut. This means the buyer can cut every tree in your woods that exceeds a certain diameter. Foresters typically measure diameter at breast height (DBH), which is 4.5 feet above the ground. The buyer will often measure diameter at the stump. A 16-inch tree at the stump is a 12-inch tree at DBH. The sale results in your most valuable trees being harvested and your low value trees being left to become the next stand. Repeated over several 10-to15-year cutting cycles, diameter limit cuts can remove your commercially valuable timber. In rare circumstances a district forester will recommend a diameter limit cut to achieve management objectives. But as a general rule they are not allowed in your stewardship plan.
 - b. Shares sale. A shares sale occurs any time timber leaves your property and you are not paid until the logs are delivered and measured at the mill. When the logs are purchased at the mill, a share of the proceeds goes to the logger, and a share goes to the landowner, thus the name “shares sale.” Each party’s share is negotiated at the time of sale. Shares sales allow loggers to purchase timber without a large cash outlay. They are used mostly by small loggers who have limited cash and limited access to lines of credit. Larger companies also may use them. Ensuring that you are treated fairly in a shares sale is difficult.
 - c. Buyer’s choice sale. As the name implies, the buyer purchases any or all trees they choose, usually up to maximum number of trees. This method will also result in your best timber being harvested and turn your next stand into junk. You will have no way of knowing what species were harvested or the volume that was removed, and you will have to take the buyer’s word about value. We strongly discourage buyer’s choice sales, even though they are legal.



- d. Sealed bid sale. The sealed bid sale offers the best protection for the landowner and is the sale method that we recommend. In a sealed bid sale, the trees to be harvested are marked and tallied. A volume summary is produced, and the sale is widely advertised to licensed timber buyers. Each buyer submits a bid. The bids are opened at the same time, and the timber is usually sold to the highest bidder. The competitive process gives you the best chance to receive the maximum amount of money for your timber on the day of the sale. This is the method that we use to sell timber on State Forests.
- 4) Always have a contract. This is the best way to protect yourself and get the agreed-upon price. The buyer will often have his or her own contract drawn up, but it will likely offer the landowner a minimum of amount of protection and allow the buyer a high degree of freedom. Your forester will have a basic contract that can be adapted to suit your individual situation. At a minimum, a timber sale contract should address the following:
 - a. The parties involved in the contract and the contact information for everyone involved.
 - b. A legal description of the property and a description of the timber being sold.
 - c. The financial terms. This would include the required down payment and specify that all future payments be made before the timber is harvested.
 - d. The length of time the logger will have to remove the timber.
 - e. Other conditions, including but not limited to the use of best management practices; payment for damages to the residual stand; damage repair to existing roads and trails; locations of roads, trails and log yards; and wet weather restrictions.

Selling timber should be part of a long-term financial and forest management plan that yields income today and guarantees a sufficient quantity of high-quality timber to generate revenue in the future. Along the way, water quality is protected, wildlife habitat is enhanced, and the forest remains vibrant and resilient. All are less likely if you let your timber sale experience start with a knock on the door.